中煤

CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01898)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

Financial highlights:

- Revenue of the Group in the first half of 2016 was RMB26.301 billion, representing a year-on-year decrease of RMB3.446 billion (or 11.6%).
- Profit attributable to the equity holders of the Company in the first half of 2016 was RMB0.225 billion, representing a year-on-year increase of RMB1.297 billion.
- Basic earnings per share during the reporting period amounted to RMB0.02, representing a year-on-year increase of RMB0.10.
- EBITDA in the first half of 2016 was RMB5.386 billion, representing a year-on-year increase of RMB1.308 billion (or 32.1%).
- The Company does not distribute interim dividends for 2016.

The Board announces the interim results of the Group for the six months ended 30 June 2016 prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The Group's interim results have not been audited, but have been reviewed by the Company's auditor, PricewaterhouseCoopers.

A. SELECTED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
		2016	2015
		Unaudited	Unaudited
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**26,300,798**	29,746,556
Cost of sales			
Materials used and goods traded		**(11,051,857)**	(11,946,370)
Staff costs		**(1,874,285)**	(2,123,085)
Depreciation and amortisation		**(3,084,737)**	(3,182,866)
Repair and maintenance		**(381,512)**	(312,193)
Transportation costs and port expenses		**(4,167,377)**	(5,549,251)
Sales taxes and surcharges		**(648,072)**	(827,539)
Others		**(2,096,477)**	(3,209,017)
Cost of sales		**(23,304,317)**	(27,150,321)
Gross profit		**2,996,481**	2,596,235
Selling, general and administrative expenses		**(1,949,884)**	(2,095,903)
Other income		**6,906**	9,522
Other gains, net		**993,953**	87,166
Profit from operations		**2,047,456**	597,020
Finance income	*5*	**404,258**	430,172
Finance costs	*5*	**(2,441,803)**	(2,385,580)
Share of profits of associates and joint ventures		**281,013**	188,208
Profit/(loss) before income tax		**290,924**	(1,170,180)
Income tax credit	*6*	**250,176**	324,057
Profit/(loss) for the period		**541,100**	(846,123)
Profit/(loss) attributable to:			
Equity holders of the Company		**225,134**	(1,072,102)
Non-controlling interests		**315,966**	225,979
		541,100	(846,123)
Basic and diluted earnings/(loss) per share (based on the profit/(loss) attributable to the equity holders of the Company) (RMB Yuan)	7	**0.02**	(0.08)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Profit/(loss) for the period	**541,100**	(846,123)
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Fair value changes on available-for-sale financial assets, net of tax	**(1,961)**	3,485
Fair value loss on hedging instruments	**(592)**	–
Currency translation differences	**17,584**	(11,517)
Total items that may be reclassified subsequently to profit or loss	**15,031**	(8,032)
Other comprehensive income/(loss) for the period, net of tax	**15,031**	(8,032)
Total comprehensive income/(loss) for the period	**556,131**	(854,155)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**240,165**	(1,080,134)
Non-controlling interests	**315,966**	225,979
	556,131	(854,155)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2016

	Note	**30 June 2016 Unaudited** ***RMB'000***	31 December 2015 Audited *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**128,860,802**	128,805,171
Investment properties		**49,677**	50,836
Land use rights		**4,881,243**	4,889,260
Mining and exploration rights		**33,701,366**	32,843,807
Intangible assets		**1,396,369**	1,363,034
Investments in associates		**11,918,054**	11,221,621
Investments in joint ventures		**1,910,723**	1,878,577
Available-for-sale financial assets		**5,563,211**	5,566,926
Deferred income tax assets		**2,814,211**	2,425,963
Long-term receivables		**253,479**	245,524
Other non-current assets		**6,512,919**	6,716,696
Total non-current assets		**197,862,054**	196,007,415
Current assets			
Inventories		**6,577,644**	6,825,048
Trade and notes receivables	*9*	**13,054,248**	13,268,942
Prepayments and other receivables		**8,111,002**	9,726,628
Restricted bank deposits		**2,420,292**	2,586,039
Term deposits with initial terms of over three months		**12,472,352**	18,416,259
Cash and cash equivalents		**14,357,791**	11,195,663
Total current assets		**56,993,329**	62,018,579
TOTAL ASSETS		**254,855,383**	258,025,994

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2016

	Note	**30 June 2016 Unaudited** *RMB'000*	31 December 2015 Audited *RMB'000*
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**13,258,663**	13,258,663
Reserves		**42,510,898**	42,775,332
Retained earnings		**28,172,313**	27,673,574
		83,941,874	83,707,569
Non-controlling interests		**16,716,270**	16,574,854
Total equity		**100,658,144**	100,282,423
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**50,653,265**	54,479,691
Long-term bonds		**25,904,347**	25,896,299
Deferred income tax liabilities		**6,757,835**	6,821,961
Deferred revenue		**722,774**	784,397
Provision for employee benefits		**33,396**	41,283
Provision for close down, restoration and environmental costs		**1,377,055**	1,308,799
Other long-term liabilities		**745,786**	764,390
Total non-current liabilities		**86,194,458**	90,096,820
Current liabilities			
Trade and notes payables	*10*	**21,189,751**	20,665,655
Accruals, advance and other payables		**11,533,480**	13,289,854
Short-term bonds		**2,000,000**	2,000,000
Current portion of long-term bonds		**14,995,451**	14,972,791
Taxes payables		**825,304**	1,017,466
Short-term borrowings		**4,910,929**	5,657,929
Current portion of long-term borrowings		**12,523,862**	10,019,483
Current portion of provision for close down, restoration and environmental costs		**24,004**	23,573
Total current liabilities		**68,002,781**	67,646,751
Total liabilities		**154,197,239**	157,743,571
TOTAL EQUITY AND LIABILITIES		**254,855,383**	258,025,994

B. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 ORGANISATION AND PRINCIPAL ACTIVITIES

China Coal Energy Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 22 August 2006 as a joint stock company with limited liability under the Company Law of the PRC as a result of a group restructuring of China National Coal Group Corporation ("China Coal Group" or the " Parent Company") in preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Restructuring"). The Company and its subsidiaries (collectively the "Group") is principally engaged in mining and processing of coal, sales of coal, manufacturing and sales of coal-chemical products, manufacturing and sales of coal mining machinery and finance services. The address of the Company's registered office is 1 Huang Si Da Jie, Chaoyang District, Beijing, the PRC.

The H shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since December 2006, while its A shares have been listed on the Shanghai Stock Exchange since February 2008.

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2.1 Going-concern basis

As at 30 June 2016, the Group's current liabilities exceeded its current assets by approximately RMB11,009 million. To raise the fund required for the short-term repayment, the Group has planned to utilise the following:

- Short-term bonds of RMB10,000 million registered with National Association of Financial Market Institutional Investors in July 2016, of which RMB3,000 million has been issued in August 2016;
- Corporate bond of RMB8,000 million to be issued, which is in process of approval by certain governmental authorities;
- The Group's expected net cash flow from operating activities for the next 12 months;
- Banking facilities available for draw-down of new loans when necessary; and
- Other sources of financing given the Group's credit rating and long-term relationship with reputable domestic banks and other financial institutions.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing this interim condensed consolidated financial information.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements, except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016.

Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

4 SEGMENT INFORMATION

1) General information

a. Factors that management used to identify the entity's reportable segments

The chief operating decision maker ("CODM") has been identified as the President Office (總裁辦公會).

The Group's reportable segments are entities or group of entities that offer different products and services. The following reportable segments are presented in a manner consistent with the way in which information is reported internally to the Group's CODM for the purpose of resource allocation and performance assessment. They are managed according to different nature of products and services, production process and the environment in which they are operating. Most of these entities engage in just one single business, except for a few entities dealing with a variety of operations. Financial information of these entities has been separately presented as discrete segment information for CODM's review.

b. Reportable segment

The Group's reportable segments are coal, coal-chemical product, mining machinery and finance.

- Coal – Production and sales of coal;
- Coal-chemical product – Production and sales of coal-chemical products;
- Mining machinery – Manufacturing and sales of mining machinery.
- Finance – Providing deposit, loan, bill acceptance and discount and other financial services to the entities within the Group and China Coal Group.

2) Information about reportable segment profit, assets and liabilities

a. Measurement of operating segment profit or loss, assets and liabilities

The CODM evaluates performance on the basis of profit or loss before income tax expense. The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices. The amounts of segment information are denominated in RMB, which is consistent with the amounts in the reports used by the CODM.

Segment assets and liabilities are those operating assets and liabilities that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets and liabilities exclude deferred income tax assets, deferred income tax liabilities, taxes payable or tax advance payment.

Note:

For the six months ended 30 June 2016, the finance segment, which was previously included in other segments, has been identified as a new reportable segment as it exceeded 10% of the combined reported profit of all operating segments that did not report a loss. The comparative segment information has been accordingly restated to present the finance service segment as a separately reported segment.

b. Reportable segments' profit, assets and liabilities

	For the six months ended and as at 30 June 2016 (unaudited)							
	Coal	**Coal-chemical product**	**Machinery**	**Finance**	**Others** *(Note)*	**Non operating Segment**	**Inter-segment Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue								
Total Revenue	18,700,085	5,598,583	1,930,992	–	1,343,303	–	(1,272,165)	26,300,798
Inter-segment revenue	(754,744)	(12,979)	(153,938)	–	(350,504)	–	1,272,165	–
Revenue from external customers	17,945,341	5,585,604	1,777,054	–	992,799	–	–	26,300,798
Profit/(loss) from operations	94,431	1,542,039	218,807	(16,314)	343,510	(157,607)	22,590	2,047,456
Profit/(loss) before income tax	(578,933)	1,097,803	180,663	191,119	335,211	(956,005)	21,066	290,924
Interest income	25,158	61,450	6,507	318,200	3,161	753,212	(763,430)	404,258
Interest expense	(717,509)	(524,341)	(46,413)	(110,635)	(11,505)	(1,774,018)	761,907	(2,422,514)
Depreciation and amortisation	(2,000,641)	(930,065)	(190,715)	(784)	(198,678)	(17,616)	–	(3,338,499)
Share of profits of associates and joint ventures	37,574	18,837	2,182	–	4	222,416	–	281,013
Income tax credit/(expense)	13,428	20,871	(11,318)	(47,828)	(8,535)	293,071	(9,513)	250,176
Other material non-cash items								
Provisions for impairment of property,plant,equipment	(26,725)	(11,501)	–	–	–	(4,465)	–	(42,691)
Reversal of/(provision for) impairment of other assets	(3,357)	–	(14,204)	(3,920)	(30,132)	–	(14,080)	(65,693)
Segment assets and liabilities								
Total assets	130,497,443	55,468,039	17,983,086	14,728,276	6,250,471	31,430,973	(1,502,905)	254,855,383
Include: investment in associates and joint ventures	2,342,968	510,001	99,099	–	380	10,876,329	–	13,828,777
Addition to non-current assets	3,698,271	475,369	93,406	(965,072)	134,156	2,365	–	3,438,495
Total liabilities	46,912,852	25,101,547	5,649,859	3,074,381	2,244,370	72,769,692	(1,555,462)	154,197,239

	For the six months ended 30 June 2015 (unaudited)(restated) and as at 31 December 2015 (audited) (restated)							
	Coal	Coal-chemical product	Machinery	Finance	Others *(Note)*	Non operating Segment	Inter-segment Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue								
Total revenue	20,481,324	6,133,414	2,675,601	–	1,573,985	–	(1,117,768)	29,746,556
Inter-segment revenue	(522,572)	(2,864)	(180,643)	–	(411,689)	–	1,117,768	–
Revenue from external customers	19,958,752	6,130,550	2,494,958	–	1,162,296	–	–	29,746,556
Profit/(loss) from operations	(720,039)	1,406,984	85,301	(3,078)	(33,021)	(157,865)	18,738	597,020
Profit/(loss) before income tax	(1,419,893)	766,719	42,221	203,449	(46,729)	(728,972)	13,025	(1,170,180)
Interest income	43,632	82,832	2,840	273,430	4,106	603,290	(579,958)	430,172
Interest expense	(790,201)	(747,221)	(41,951)	(66,783)	(16,793)	(1,307,038)	579,958	(2,390,029)
Depreciation and amortisation	(2,208,964)	(821,812)	(178,849)	(395)	(252,453)	(18,245)	–	(3,480,718)
Share of profits of associates and joint ventures	37,700	23,848	(408)	–	–	127,068	–	188,208
Income tax expense	592,470	(197,129)	(12,808)	(50,887)	(1,079)	–	(6,510)	324,057
Other material non-cash items								
Reversal of/(provision for) impairment of other assets	(62,273)	100	(9,496)	(11,238)	(35,471)	–	–	(118,378)
Segment assets and liabilities								
Total assets	129,674,801	55,647,125	17,858,773	17,123,696	6,688,491	33,599,379	(2,566,271)	258,025,994
Include: investment in associates and joint ventures	2,315,068	480,211	96,917	–	–	10,208,002	–	13,100,198
Addition to non-current assets	8,585,074	4,722,113	610,991	316,892	329,806	5,657	–	14,570,533
Total liabilities	47,479,100	25,194,720	6,036,283	4,924,045	3,315,892	73,361,220	(2,567,689)	157,743,571

Note:

These activities are excluded from the reportable operating segments, as these activities are not reviewed by the CODM.

Other segments primarily relate to aluminium, electricity generating, equipment trading agency services, tendering services and other insignificant manufacturing businesses.

3) Geographical information

Analysis of revenue

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Domestic markets	**25,754,665**	28,915,759
Overseas markets	**546,133**	830,797
	26,300,798	29,746,556

Note:

Revenue is attributed to countries on the basis of the customer's location.

Analysis of non-current assets

	30 June	31 December
	2016	2015
	Unaudited	Audited
	RMB'000	*RMB'000*
PRC	**189,230,598**	187,768,539
Australia	**555**	463
	189,231,153	187,769,002

Note:

The non-current assets above exclude financial instruments and deferred income tax assets.

5 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Interest expense:		
– Bank borrowings	**1,897,685**	2,188,772
– Long-term bonds	**1,141,504**	883,228
– Unwinding of discount	**54,364**	47,978
Other incidental borrowing costs and charges	**4,890**	6,355
Net foreign exchange losses/(gains)	**14,399**	(10,804)
Finance costs	**3,112,842**	3,115,529
Less: amounts capitalised on qualifying assets	**(671,039)**	(729,949)
Total finance costs	**2,441,803**	2,385,580
Finance income:		
– interest income on bank deposits	**303,596**	343,894
– interest income on loans to related parties	**100,662**	86,278
Total finance income	**404,258**	430,172
Finance costs, net	**2,037,545**	1,955,408

Note:

Finance costs capitalised on qualifying assets are related to funds borrowed for the purpose of obtaining qualifying assets. Capitalisation rates on such borrowings were as follows:

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	**4.84%-6.80%**	5.25%-6.92%

6 INCOME TAX EXPENSE

Six months ended 30 June

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax *(Note (a))*	**241,710**	466,307
Deferred income tax	**(491,886)**	(790,360)
	(250,176)	(324,057)

Note:

(a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25%. The applicable income tax rate in 2016 and 2015 is 25% of the assessable income of each of the companies now comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential tax rate 15% based on the relevant PRC tax laws and regulations.

7 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share for the six months ended 30 June 2016 and 2015 is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the number of 13,258,663,000 ordinary shares in issue during the period.

As the Company had no dilutive instruments for the six months ended 30 June 2016 and 2015, diluted earnings/(loss) per share is the same as basic earnings per share.

8 DIVIDENDS

As approved at the Company's 2015 annual general meeting held on 21 June 2016, the Company did not distribute any dividends of 2015.

The company will not distribute any interim dividends for 2016.

The Company declared 2014 final dividend of RMB0.024 Yuan per share on 16 June 2015, and made the dividend payment of approximately RMB319,787,000 in July 2015.

9 TRADE AND NOTES RECEIVABLES

	30 June 2016 Unaudited *RMB'000*	31 December 2015 Audited *RMB'000*
Trade receivables, net *(Note (a))*	**9,029,403**	9,679,830
Notes receivables *(Note (b))*	**4,024,845**	3,589,112
	13,054,248	13,268,942

Notes:

(a) Aging analysis of trade receivables on each balance sheet date is as follows:

	30 June 2016 Unaudited *RMB'000*	31 December 2015 Audited *RMB'000*
Within 6 months	**5,045,596**	5,817,040
6 months – 1 year	**2,499,131**	2,053,096
1 – 2 years	**1,108,244**	1,624,152
2 – 3 years	**362,059**	337,070
Over 3 years	**424,427**	337,939
Trade receivables, gross	**9,439,457**	10,169,297
Less: Impairment of receivables	**(410,054)**	(489,467)
Trade receivables, net	**9,029,403**	9,679,830

As at 30 June 2016 and 31 December 2015, there are no significant trade receivables that are past due but are not impaired.

The individually impaired receivables primarily relate to customers who are in financial difficulty.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, domestically and internationally dispersed.

The Group does not hold any collateral as security.

Trade receivables from related parties are unsecured, interest free and repayable on demand in accordance with the relevant contract entered into between the Group and the related parties.

(b) Notes receivables are principally bank accepted bills of exchange with maturity of less than one year (31 December 2015: less than one year).

10 TRADE AND NOTES PAYABLES

	30 June 2016 Unaudited *RMB'000*	31 December 2015 Audited *RMB'000*
Trade payables *(Note (a))*	**17,984,662**	19,039,397
Notes payables	**3,205,089**	1,626,258
	21,189,751	20,665,655

Note:

(a) Aging analysis of trade payables on the balance sheet date is as follows:

	30 June 2016 Unaudited *RMB'000*	31 December 2015 Audited *RMB'000*
Less than 1 year	**14,074,779**	14,955,209
1 – 2 years	**2,226,487**	2,620,806
2 – 3 years	**1,006,011**	711,828
Over 3 years	**677,385**	751,554
	17,984,662	19,039,397

11 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	30 June 2016 Unaudited *RMB'000*	31 December 2015 Audited *RMB'000*
Property, plant and equipment	**4,376,738**	2,174,303
Others	**1,025,233**	1,160,643
	5,401,971	3,334,946

(b) Operating lease commitments – where the Group is the lessee

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	30 June 2016 Unaudited *RMB'000*	31 December 2015 Audited *RMB'000*
Land and buildings:		
– Within 1 year	**101,947**	105,397
– From 1 year to 5 years	**269,077**	274,557
– Over 5 years	**616,931**	616,931
	987,955	996,885

(c) Investment commitments

According to the agreement entered into on 16 August 2012, Mengxi-Huazhong Railway Company Limited ("Mengxi-Huazhong") was incorporated by the Company, China Railway Investment Corporation and other 14 companies. As a 10% shareholder, as at 30 June 2016 the Company has invested RMB1,413 million in Mengxi-Huazhong and is committed to further invest RMB5,284 million by instalments in the future.

According to the agreement entered into on 29 June 2011 between the Company, Yima Coal Industry Group Company Limited and Shanxi Haizi Jiaohua Company Limited ("Haizi Jiaohua"), as at 30 June 2016 the Company has paid RMB178 million to Haizi Jiaohua as part of the consideration to acquire 51% interests in Shanxi Puxian China Coal Jinchang Mining Company Limited ("Jinchang") and committed to pay the remaining consideration of RMB301 million in the future when certain condition is fulfilled.

According to the agreement entered into on 29 June 2011 between the Company and Haizi Jiaohua, as at 30 June 2016 the Company has paid RMB293 million to Haizi Jiaohua as part of the consideration to acquire 63% interests in Shanxi Puxian China Coal Yushuo Mining Company Limited ("Yushuo") and committed to pay the remaining consideration of RMB446 million in the future when certain condition is fulfilled.

According to the agreement entered into on 15 July 2006, Zhongtian Synergetic Energy Company Limited ("Zhongtian Synergetic") was incorporated by the Company, China Petroleum & Chemical Corporation and other 3 companies. As a 38.75% shareholder, as at 30 June 2016 the Company has invested RMB6,787 million in Zhongtian Synergetic and is committed to further invest RMB454 million by instalments in the future.

According to the agreement entered into on 28 May 2008, Mengji Railway Company Limited ("Mengji Railway") was incorporated by the Company, Hohhot Railway Bureau and other 7 companies. As a 5% shareholder, as at 30 June 2016 the Company has invested RMB1,400 million in Mengji Railway and is committed to further invest RMB100 million by instalments in the future.

According to the agreement entered into on 23 December 2011, Huzhun'e Railway Company Limited ("Huzhun'e Railway") was incorporated by the Company, Hohhot Railway Bureau and other 7 companies. As a 10% shareholder, as at 30 June 2016 the Company has invested RMB266 million in Huzhun'e Railway and is committed to further invest RMB819 million by instalments in the future.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to extend my sincere gratitude to all of you for your long-term interest in and support for China Coal Energy. On behalf of the Board, I hereby present the 2016 interim results to all Shareholders.

Since the beginning of 2016, the domestic economy has struggled with heavy downturn pressure and sluggish coal market demand. With the effects of policies implemented by the Chinese government, including actively promoting the supply-side structural reform and expediting to dissolve overcapacity of coal, the coal price gradually recovered. However, the coal market performance was still subdued at low level. The Bohai-Rim Steam-Coal Price Index witnessed a substantial year-on-year decrease, and the pressure of production and operation of coal enterprises was still significant. Against the continual challenging situations, the Company closely focused on the annual operational targets with firm confidence and exerted to overcome numerous difficulties. The Company methodically organised production and sales, firmly enhanced quality and improved efficiency, strengthened budget enforcement, and strictly controlled the costs and expenses. The production and operation proceeded steadily, and the Company maintained an overall smooth safe production. During the reporting period, the Company transitioned from loss to profit and achieved new progress in every operational and management task.

The Company methodically organised coal production and overcame numerous unfavourable factors such as production discontinuity and complicated geological conditions. The Company actively pursued market demand, coordinated production and sales, aggressively seised market opportunities and strived to tap effective production capacity. The Company consistently strengthened coal quality management, implemented coal blending at both mining sites and loading ports, strived to optimise the product mix, and significantly improved the product quality. Keeping a close eye on market changes, the Company timely adjusted sales strategies, explored the non-thermal coal market, expanded the sales of direct arrival coal and coal for local sales, further optimising the market layout. The Company made great efforts to develop coking coal market, and incremental production capacity was effectively released. During the reporting period, the Company achieved commercial coal production volume of 40.38 million tonnes and sales volume of self-produced coal of 40.88 million tonnes, and maintained stable operation of coal production and sales.

The Company enhanced operational management of coal chemical business, deepened technology innovations, focused on eliminating defects of systems, strictly controlled material consumption and energy consumption, and put into full and sound operation of coal chemical facilities safely and stably in a long run. The Company enhanced the coordination among production, transportation and sales of coal chemical products, improved centralised sales mechanism, timely changed marketing strategies, adjusted sales emphasis, thoroughly explored the market, and strived to achieve full-scale production and sales. The production load of the commissioned coal chemical projects of the Company continued to increase. The newly-commissioned Mengda Engineering Plastics Project succeeded in achieving the system-wide operation of facilities in one attempt of trial run with qualified products produced. During the reporting period, the Company produced 354,000 tonnes of polyolefin, representing a year-on-year increase of 2.3%; 983,000 tonnes of urea, representing a year-on-year increase of 10.6%; and 377,000 tonnes of methanol, representing a year-on-year increase of 5.9%. Against the backdrop of supply increase and price decline of chemical products, the Company's coal chemical projects maintained a relatively strong profitability, providing solid support for the operating results of the Company.

The Company further advanced refined management, implemented strict budget control, enhanced performance assessment, innovated incentive schemes, and continuously raised operating efficiency. With the goal of quality enhancement, cost reduction and efficiency improvement, the Company promoted organisitional reform and management innovation, strengthened cost reduction through technology enhancement, cost reduction management and company-wide cost reduction, resulting in effective cost control. During the reporting period, the unit cost of sales of self-produced commercial coal recorded a year-and-year decrease of 15.7% while the unit cost of sales of olefin, urea, methanol decreased year-on-year. The Company expedited the collection of receivables, enhanced destocking, strived to improve operating quality, thus operating cash flow increased significantly year-on-year. The Company enhanced fund raising and financing management so that financing cost was further reduced. The Company actively optimised the utilisation the existing assets, enhanced the disposal of assets which were less relevant to the principal business, and improved the profitability of assets. Adhering to strategic insights, the Company accelerated transitioning and upgrading development. Taking into account the trends of the industry and the progress of the projects, the Company retuned the pace of investment progress, and steadily pushed forward major projects including pit mouth power generation and coal chemical operations.

During the first half of 2016, all employees were united to confront challenges and overcome difficulties, realising profit attributable to equity holders of the Company of RMB225 million, representing a year-and-year increase of RMB1.297 billion, and laying a solid foundation for the Company to realise a turnaround from loss to profit for the whole year.

Currently, the international and domestic economic environments are still complicated and the world economy has not recovered as expected. The domestic economy runs largely stably. However, due to the interaction of structural and cyclical contradictions, there are still many uncertainties. The supply and demand imbalance in the coal market has been relieved to some extent, but overcapacity and weak demand will constrain the speed and space of coal price recovery, and might even give rise to further twists and turns. Looking forward, China's economy will still be the "power source" of the world economy and the long term stable trend of positive development towards growth will remain unchanged. The policy effects will continue to emerge with the implementation of supply-side structural reform and dissolving overcapacity initiated by the Chinese government. The industry policies including pushing forward merger and reorganisation of the coal industry and cultivating large-scale coal conglomerate will also bring new opportunities and upside to increased principal business competitiveness and upgraded development.

In the second half of 2016, we will focus on the annual operational targets, enhance coordination of production and sales, deepen reform and innovation, strengthen risk control, and strive to accomplish various annual tasks. Firstly, we will stabilise production and operation, and continue to enhance the quality and efficiency. Secondly, we will strengthen production and sales coordination, enhance market development, raise marketing capabilities and explore sales channels. Thirdly, we will strengthen cost control, and sustain the competitive advantage of low cost. Fourthly, we will continuously optimise the investment structure, strictly manage and control project investment, and steadily advance the construction of main projects. Fifthly, we will deepen the internal reform, strengthen operation management, and strictly control operational risks. Sixthly, we will strengthen the management and control of site safety, and emphasise safety accountability so as to maintain safety production.

"Despite the hardship of washing and sifting, once the wild sand blows away, real gold will be revealed". The management and all employees will forge ahead, brave all difficulties, strive to win the battle of loss-to-profit transitioning and shaking off the dilemma, and spare no efforts to achieve sustainable and healthy growth of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

The following discussion and analysis should be read in conjunction with the Group's reviewed financial statements and the notes thereto. The Group's interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

I. OVERVIEW

Since the beginning of 2016, through methodically organising coal production, the Group optimised market layout and product mix so that the production and sales of key products reached balance; through strict control on costs and expenses, unit cost of sales of key products recorded a year-on-year decrease; against the backdrop of policy effects such as cutting overcapacity and implementing supply-side structural reform by the Chinese government, coal price stabilised and rebounded; through actively disposing certain assets which were less relevant to the principal business, the Group improved the quality of assets. For the six months ended 30 June 2016, the Group's total revenue (net of inter-segmental sales) amounted to RMB26.301 billion, representing a year-on-year decrease of 11.6%; profit before income tax amounted to RMB291 million, representing an increase of RMB1.461 billion; profit attributable to the equity holders of the Company amounted to RMB225 million, representing a year-on-year increase of RMB1.297 billion; basic earnings per share amounted to RMB0.02, representing a year-on-year increase of RMB0.10; and net cash generated from operating activities per share was RMB0.22, representing a year-on-year increase of RMB0.19.

Unit: RMB100 million

	For the six months ended 30 June 2016	For the six months ended 30 June 2015	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Revenue	**263.01**	297.47	–34.46	–11.6
Profit/(Loss) before income tax	**2.91**	–11.70	14.61	–124.9
EBITDA	**53.86**	40.78	13.08	32.1
Profit/(Loss) attributable to the equity holders of the Company	**2.25**	–10.72	12.97	–121.0
Net cash generated from operating activities	**29.80**	3.62	26.18	723.2

As at 30 June 2016, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 52.4%, representing a decrease of 0.6 percentage point from 53.0% at the beginning of 2016.

Unit: RMB100 million

			Increase/decrease	
	As at 30 June 2016	As at 31 December 2015	Increase/ decrease in amount	Increase/ decrease in percentage (%)
Assets	**2,548.55**	2,580.26	–31.71	–1.2
Liabilities	**1,541.97**	1,577.44	–35.47	–2.2
Interest-bearing debts	**1,109.88**	1,130.26	–20.38	–1.8
Equity	**1,006.58**	1,002.82	3.76	0.4
Equity attributable to the equity holders of the Company	**839.42**	837.08	2.34	0.3

II. OPERATING RESULTS

(1) Consolidated Operating Results

1. Revenue

For the six months ended 30 June 2016, the Group's total revenue (net of inter-segmental sales) decreased from RMB29.747 billion for the six months ended 30 June 2015 to RMB26.301 billion, representing a decrease of RMB3.446 billion or 11.6%. Mainly due to the impact from the coal market situation, selling price of the Group's self-produced commercial coal decreased year-on-year. The Group adopted production limitation or stoppage measures for some mines with weaker market competitiveness, which led to a year-on-year decrease of self-produced commercial coal sales volume. The above combining effects resulted in a year-on-year decrease of RMB2.014 billion in revenue from external sales of coal operations. Selling price of coal chemical products decreased year-on-year and revenue from external sales of coal chemical operations recorded a year-on-year decrease of RMB545 million. The sales volume of coal mining equipment decreased year-on-year and revenue from external sales of coal mining equipment operations decreased year-on-year by RMB718 million.

Revenue net of inter-segmental sales from each operating segment of the Group for the six months ended 30 June 2016 and the changes as compared to the same period of 2015 are set out as follows:

Unit: RMB100 million

	Revenue net of inter-segmental sales		**Increase/decrease**	
	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Increase/ decrease in amount	Increase/ decrease *(%)*
Coal operations	**179.45**	199.59	–20.14	–10.1
Coal chemical operations	**55.86**	61.31	–5.45	–8.9
Coal mining equipment operations	**17.77**	24.95	–7.18	–28.8
Financial operations and other operations	**9.93**	11.62	–1.69	–14.5
Total	**263.01**	297.47	–34.46	–11.6

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group in the Group's total revenue for the six months ended 30 June 2016 and the changes as compared to the same period of 2015 are set out as follows:

	Proportion of revenue net of inter-segmental sales (%)		
	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Increase/ decrease in *(percentage point(s))*
Coal operations	**68.2**	67.1	1.1
Coal chemical operations	**21.2**	20.6	0.6
Coal mining equipment operations	**6.8**	8.4	–1.6
Financial operations and other operations	**3.8**	3.9	–0.1

2. Cost of sales

For the six months ended 30 June 2016, the Group's cost of sales decreased from RM27.150 billion for the six months ended 30 June 2015 to RMB23.304 billion, representing a decrease of 14.2%.

Materials used and goods traded costs decreased from RMB11.946 billion for the six months ended 30 June 2015 to RMB11.052 billion, representing a decrease of 7.5%. The cost of sales of coal operations increased year-on-year by RMB561 million, of which the goods traded cost recorded a year-on-year increase of RMB1.165 billion due to the increase in sales volume of proprietary coal trading. Meanwhile the Group further enhanced the management of material consumption quota, the effort to repair the obsolete and utilise the waste, and centralised procurement. Coupled with the fact that the sales volume of self-produced commercial coal decreased year-on-year, the above combined effects led to a year-on-year decrease of RMB604 million in materials used cost of self-produced commercial coal; coal chemical enterprises strictly controlled unit consumption and procurement price of raw materials, resulting in a year-on-year decrease of RMB463 million in the cost of sales of coal chemical operations. The reduction in orders for coal mining equipment operations affected by market conditions led to a year-on-year cost decrease of RMB713 million.

Staff costs decreased from RMB2.123 billion for the six months ended 30 June 2015 to RMB1.874 billion, representing a decrease of 11.7%. The decrease was mainly due to conscientiously implementing the principle of performance-based remunerations by each enterprise, further enhancing controls over gross salaries, strengthening reduction on labour dispatch workforce and diminution on gross manpower required, which led to a year-on-year decrease in staff costs.

Depreciation and amortisation costs decreased from RMB3.183 billion for the six months ended 30 June 2015 to RMB3.085 billion, representing a decrease of 3.1%. The decrease was mainly attributable to the year-on-year decrease in production volume of self-produced commercial coal of the Group, which led to decrease in the depreciation and amortization costs of the coal business based on the production reserve method. Combining with the facts that part of the equipment was used in projects under construction and disposal of certain subsidiaries less relevant to the principal business, the costs of depreciation and amortization decreased year-on-year.

Repairs and maintenance costs increased from RMB312 million for the six months ended 30 June 2015 to RMB382 million, representing an increase of 22.4%. The increase was mainly attributable to the strengthening of routine equipment repair and maintenance by the subordinate enterprises, which led to a year-on-year increase of repairs and maintenance costs.

Transportation costs and port expenses decreased from RMB5.549 billion for the six months ended 30 June 2015 to RMB4.167 billion, representing a decrease of 24.9%. The decrease was mainly due to the year-on-year decrease in sales volume of the Group's seaborne coal, as well as the combining effects from the lowering railway tariff rate and port charges, resulting in a year-on-year decrease of RMB1.312 billion in transportation costs and port expenses for coal operations.

Outsourcing mining engineering fees for coal mines decreased from RMB676 million for the six months ended 30 June 2015 to RMB300 million, representing a decrease of 55.6%. The year-on-year decrease in outsourcing mining engineering fees was mainly due to the reason that all coal producing enterprises further strengthened management of outsourcing business, strictly controlled outsourcing unit price, and reduced year-on-year outsourcing stripping and roadheading volume.

Sales taxes and surcharges decreased from RMB828 million for the six months ended 30 June 2015 to RMB648 million, representing a decrease of 21.7%. The decrease was mainly attributable to a year-on-year decrease in the sales revenue of the Group, which led to a year-on-year reduction of RMB141 million in coal resources tax.

Other costs decreased 29.1% from RMB2.533 billion for the six months ended 30 June 2015 to RMB1.796 billion. The decrease was mainly attributable to the reason that the Group reduced year-on-year other costs, including the productive mining engineering and land requisition compensation expenses.

3. Gross profit and gross profit margin

For the six months ended 30 June 2016, gross profit of the Group increased from RMB2.597 billion for the six months ended 30 June 2015 to RMB2.997 billion, representing an increase of 15.4%; and gross profit margin increased from 8.7% for the six months ended 30 June 2015 to 11.4%, representing an increase of 2.7 percentage points.

The gross profit and gross profit margin of each of the Group's operating segments for the six months ended 30 June 2016 and the changes as compared to the same period of 2015 are as follows:

Unit: RMB100 million

	Gross profit			**Gross profit margin (%)**		
	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Increase/ decrease (%)	**For the six months ended 30 June 2016**	For the six months ended 30 June 2015	Increase/ decrease *(Percentage point(s))*
Coal operations	**11.80**	3.76	213.8	**6.3**	1.8	4.5
Self-produced commercial coal	**10.73**	2.96	262.5	**9.3**	2.0	7.3
Proprietary coal trading	**0.54**	0.06	800.0	**0.8**	0.1	0.7
Coal chemical operations	**13.00**	16.09	–19.2	**23.2**	26.2	–3.0
Coal mining equipment operations	**3.54**	4.53	–21.9	**18.3**	16.9	1.4
Financial operations and other operations	**1.50**	1.45	3.4	**11.2**	9.2	2.0
Group	**29.97**	25.97	15.4	**11.4**	8.7	2.7

Note: The above gross profit and gross profit margin of each operating segment are figures before netting of inter-segmental sales.

(2) Operating results of segments

1. Coal segment

- Revenue

Revenue from the coal operations of the Group was mainly generated from sales of coal produced from self-owned coal mines and coal washing plants (sales of self-produced commercial coal) to domestic and overseas customers. In addition, the Group also purchased coal from external coal enterprises for resale to customers (sales of proprietary coal trading) and was engaged in coal import and export and domestic agency services.

For the six months ended 30 June 2016, the total revenue from coal operations of the Group decreased from RMB20.481 billion for the six months ended 30 June 2015 to RMB18.700 billion, representing a decrease of 8.7%; revenue net of inter-segmental sales decreased from RMB19.959 billion for the six months ended 30 June 2015 to RMB17.945 billion, representing a decrease of 10.1%.

For the six months ended 30 June 2016, revenue from sales of self-produced commercial coal of the Group decreased from RMB14.451 billion for the six months ended 30 June 2015 to RMB11.585 billion, representing a decrease of 19.8%. Revenue net of inter-segmental sales decreased from RMB14.378 billion for the six months ended 30 June 2015 to RMB11.452 billion, representing a decrease of 20.4%; of which, revenue from thermal coal was RMB9.656 billion, representing a year-on-year decrease of RMB2.861 billion; revenue from coking coal was RMB1.796 billion, representing a year-on-year decrease of RMB65 million. For the six months ended 30 June 2016, the Group's weighted average sales price of self-produced commercial coal recorded a year-on-year decrease of RMB30/tonne, reducing sales revenue by RMB1.211 billion; sales of self-produced commercial coal recorded a year-on-year decrease of 5.54 million tonnes, decreasing sales revenue by RMB1.715 billion.

Revenue from sales of proprietary coal trading increased from RMB5.794 billion for the six months ended 30 June 2015 to RMB6.959 billion, representing an increase of 20.1%; revenue net of inter-segmental sales increased from RMB5.357 billion for the six months ended 30 June 2015 to RMB6.348 billion, representing an increase of 18.5%.

Revenue from agency services decreased from RMB6 million for the six months ended 30 June 2015 to RMB5 million, representing a decrease of 16.7%.

The Group's coal sales volume and selling price for the six months ended 30 June 2016 and the changes as compared to the same period of 2015 are set out as follows:

								Increase/decrease			
			For the six months ended 30 June 2016		For the six months ended 30 June 2015		Increase/decrease in amount		Increase/decrease	
			Sales volume *(10,000 tonnes)*	**Selling price** *(RMB/ tonne)*	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(%)*	Selling price *(%)*
1. Self-produced commercial coal	Total		**4,088**	**280**	4,642	310	–554	–30	–11.9	–9.7
	(I)	Thermal coal	**3,584**	**269**	4,256	294	–672	–25	–15.8	–8.5
		1. Domestic sale	**3,559**	**269**	4,238	293	–679	–24	–16.0	–8.2
		2. Export	**25**	**372**	18	467	7	–95	38.9	–20.3
	(II)	Coking coal	**504**	**356**	386	482	118	–126	30.6	–26.1
		1. Domestic sale	**504**	**356**	386	482	118	–126	30.6	–26.1
		2. Export	☆	☆	☆	☆	–	–	–	–
2. Proprietary coal Trading	Total		**2,274**	**279**	1,572	341	702	–62	44.7	–18.2
	(I)	Domestic resale	**2,148**	**278**	1,491	335	657	–57	44.1	–17.0
	(II)	Self-operated export*	**1.8**	**1,376**	1.8	1,700	–	–324	–	–19.1
	(III)	Import trading	**124**	**289**	79	423	45	–134	57.0	–31.7
3. Agency service★	Total		**185**	**3**	198	3	–13	–	–6.6	–
	(I)	Import agency	**8**	**6**	2	7	6	–1	300.0	–14.3
	(II)	Export agency	**126**	**4**	97	4	29	–	29.9	–
	(III)	Domestic agency	**51**	**1**	99	1	–48	–	–48.5	–

☆: N/A for the reporting period.
★: Selling price is agency service fee.
* : Briquette export.

- Cost of sales

For the six months ended 30 June 2016, cost of sales for the Group's coal operations decreased from RMB20.105 billion for the six months ended 30 June 2015 to RMB17.520 billion, representing a decrease of 12.9%. The major cost items and the changes as compared to the same period of 2015 are set out as follows:

Unit: RMB100 million

Item	**For the six months ended 30 June 2016**	**Percentage (%)**	For the six months ended 30 June 2015	Percentage (%)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Materials costs (excluding cost of external purchase of raw coal for washing purpose and proprietary coal trading cost)	**15.39**	8.8	19.93	9.9	–4.54	–22.8
Cost of external purchase of raw coal for washing purpose	**1.36**	0.8	2.86	1.4	–1.50	–52.4
Proprietary coal trading cost☆	**68.23**	38.9	56.58	28.1	11.65	20.6
Staff costs	**12.03**	6.9	14.52	7.2	–2.49	–17.1
Depreciation and amortisation	**19.02**	10.9	20.85	10.4	–1.83	–8.8
Repairs and maintenance	**2.91**	1.7	2.55	1.3	0.36	14.1
Transportation costs and port expenses	**36.82**	21.0	49.94	24.8	–13.12	–26.3
Outsourcing mining engineering fees	**3.00**	1.7	6.76	3.4	–3.76	–55.6
Sales taxes and surcharges	**5.31**	3.0	7.26	3.6	–1.95	–26.9
Other costs★	**11.13**	6.3	19.80	9.9	–8.67	–43.8
Total cost of sales for coal operations	**175.20**	100.0	201.05	100.0	–25.85	–12.9

☆: This cost does not include transportation costs and port expenses and provision for impairment of inventories that are related to proprietary coal trading.

★: Other costs include environmental restoration expenses incurred in relation to coal mining operation and expenses for small and medium projects etc. incurred that are directly related to coal production.

For the six months ended 30 June 2016, the Group's cost of sales of self-produced commercial coal was RMB10.512 billion, representing a year-on-year decrease of RMB3.643 billion or 25.7%. The unit cost of sales of self-produced commercial coal was RMB257.15/tonne, representing a year-on-year decrease of RMB47.83/tonne or 15.7%. The cost of sales of proprietary coal trading was RMB6.905 billion, representing a year-on-year increase of RMB1.117 billion or 19.3%. The unit cost of external sales of proprietary coal trading was RMB277.28/tonne, representing a year-on-year decrease of RMB63.84/tonne or 18.7%.

The Group's unit cost of sales of self-produced commercial coal for the six months ended 30 June 2016 and the year-on-year changes are set out as follows:

Unit: RMB/tonne

Item	**For the six months ended 30 June 2016**	**Percentage** *(%)*	For the six months ended 30 June 2015	Percentage *(%)*	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease *(%)*
Materials costs (excluding the cost of external purchase of raw coal for washing purpose)	**37.64**	14.6	42.94	14.1	–5.30	–12.3
Cost of external purchase of raw coal for washing purpose	**3.33**	1.3	6.17	2.0	–2.84	–46.0
Staff costs	**29.44**	11.4	31.29	10.3	–1.85	–5.9
Depreciation and amortisation	**46.53**	18.1	44.92	14.7	1.61	3.6
Repairs and maintenance	**7.13**	2.8	5.49	1.8	1.64	29.9
Transportation costs and port expenses	**88.08**	34.3	104.79	34.4	–16.71	–15.9
Sales taxes and surcharges	**12.99**	5.1	15.65	5.1	–2.66	–17.0
Outsourcing mining engineering fees	**7.34**	2.9	14.56	4.8	–7.22	–49.6
Other costs	**24.67**	9.5	39.17	12.8	–14.50	–37.0
Total unit cost of sales of self-produced commercial coal	**257.15**	100.0	304.98	100.0	–47.83	–15.7

Unit materials costs decreased year-on-year by RMB5.30/tonne, which was mainly attributable to the reason that the Group reduced the unit price of materials procurement through long term purchasing contracts, raised the proportion of accessories made in China, further improved material requisition, consumption management, and enhanced the effort to repair the obsolete and utilise the waste, which led to a year-on-year decrease of materials costs by RMB454 million.

Unit cost of external purchase of raw coal for washing purpose decreased year-on-year by RMB2.84/tonne. The decrease was mainly attributable to a year-on-year decrease in volume and unit purchase price of externally purchased raw coal for washing purpose, which led to a year-on-year decrease in total cost of external purchase of raw coal for washing purpose by RMB150 million.

Unit staff costs decreased year-on-year by RMB1.85/tonne, which was mainly attributable to conscientiously implementing the principle of performance-based remunerations by the Group, further enhancing controls over gross salaries, strengthening reduction on labour dispatch workforce and diminution gross manpower required, which led to a year-on-year decrease in total staff costs by RMB249 million.

Unit depreciation and amortisation costs increased year-on-year by RMB1.61/tonne, which was mainly attributable to a year-on-year decrease in the Group's commercial coal production volume, which led to a year-on-year increase in unit depreciation and amortisation costs.

Unit repairs and maintenance costs increased year-on-year by RMB1.64/tonne. The increase was mainly attributable to the strengthening of routine repair and maintenance of coal mining equipment by the coal producing subordinate enterprises and a year-on-year decrease in self-produced commercial coal production, which led to a year-on-year increase in unit repairs and maintenance costs.

Unit transportation costs and port expenses decreased year-on-year by RMB16.71/tonne. The decrease was mainly attributable to a year-on-year decrease in the sales of the Group's seaborne coal as well as the lowering railway tariff rate and port charges. The above combined effects led to a year-on-year decrease in transportation costs and port expenses.

Unit sales taxes and surcharges decreased year-on-year by RMB2.66/tonne. The decrease was mainly attributable to the reason that the selling price and sales volume of self-produced commercial coal of the Group decreased year-on-year, which led to a year-on-year decrease of RMB195 million in resource taxes, urban maintenance and construction tax and education surcharge.

Unit outsourcing mining engineering fees decreased year-on-year by RMB7.22/tonne, which was mainly attributable to the reason that all coal producing enterprises further strengthened management of outsourcing business, strictly controlled outsourcing unit price, and reduced year-on-year outsourcing stripping and roadheading volume, resulting in a year-on-year decrease in outsourcing mining engineering fees by RMB376 million.

Unit other costs decreased year-on-year by RMB14.50/tonne, which was mainly attributable to the reason that the coal enterprises of the Group reduced other costs, including the productive mining engineering and land requisition compensation expenses by RMB867 million year-on-year.

- Gross profit and gross profit margin

For the six months ended 30 June 2016, gross profit of the Group's coal operations segment increased from RMB376 million for the six months ended 30 June 2015 to RMB1.180 billion, representing an increase of 213.8%; and gross profit margin increased by 4.5 percentage points from 1.8% for the six months ended 30 June 2015 to 6.3%. The increase was mainly attributable to the Group's vigorous efforts in pushing forward cost reduction and efficiency improvement by taking various measures. The degree of decrease in costs of self-produced commercial coal was higher than the degree of decrease in price, resulting in an increase in gross profit and gross profit margin of the coal operations.

2. Coal chemical segment

- Revenue

For the six months ended 30 June 2016, the Group's revenue from coal chemical operations decreased from RMB6.133 billion for the six months ended 30 June 2015 to RMB5.599 billion, representing a decrease of 8.7%; revenue net of inter-segmental sales decreased from RMB6.131 billion for the six months ended 30 June 2015 to RMB5.586 billion, representing a decrease of 8.9%; of which revenue from olefin was RMB2.419 billion, representing a year-on-year decrease of RMB147 million; revenue from urea amounted to RMB1.352 billion, representing a decrease of RMB150 million; revenue from methanol amounted to RMB385 million, representing a year-on-year decrease of RMB214 million, which was mainly attributable to the sales of 115,600 tonnes of methanol to other internal chemical companies of the Group for the reporting period, and internal offset revenue of RMB169 million; revenue from coke amounted to RMB715 million, representing a year-on-year decrease of RMB146 million.

The sales volume and selling price of the major chemical products of the Group for the six months ended 30 June 2016 and the year-on-year changes are set out as follows:

	For the six months ended 30 June 2016		For the six months ended 30 June 2015		**Increase/decrease** Increase/decrease in amount		Increase/decrease	
	Sales volume ***(10,000 tonnes)***	**Selling price** ***(RMB/ tonne)***	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(10,000 tonnes)*	Selling price *(RMB/ tonne)*	Sales volume *(%)*	Selling price *(%)*
I. Olefin	**36.1**	**6,696**	33.2	7,728	2.9	–1,032	8.7	–13.4
1. Polyethylene	**18.2**	**7,555**	17.3	8,104	0.9	–549	5.2	–6.8
2. Polypropylene	**17.9**	**5,825**	15.9	7,318	2.0	–1,493	12.6	–20.4
II. Methanol◆	**27.7**	**1,391**	39.0	1,538	–11.3	–147	–29.0	–9.6
III. Urea	**115.2**	**1,173**	85.0	1,766	30.2	–593	35.5	–33.6
IV. Coke	**104.6**	**684**	109.0	790	–4.4	–106	–4.0	–13.4
1. Self-produced	**83.1**	**656**	96.6	780	–13.5	–124	–14.0	–15.9
2. Proprietary trading	**21.5**	**787**	12.4	867	9.1	–80	73.4	–9.2

◆: 1. Including sales of methanol produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group with 25,700 tonnes for the reporting period and 16,000 tonnes for the same period of 2015.

2. Internal utilisation has been eliminated.

- Cost of sales

For the six months ended 30 June 2016, cost of sales for the Group's coal chemical operations decreased from RMB4.524 billion for the six months ended 30 June 2015 to RMB4.299 billion, representing a decrease of 5.0%. The major cost items and the year-on-year changes are set out as follows:

Unit: RMB100 million

Item	**For the six months ended 30 June 2016**	**Percentage** *(%)*	For the six months ended 30 June 2015	Percentage *(%)*	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease *(%)*
Materials used and goods traded costs	**21.18**	49.3	25.81	57.1	–4.63	–17.9
Staff costs	**2.49**	5.8	2.10	4.6	0.39	18.6
Depreciation and amortisation	**9.08**	21.1	8.03	17.7	1.05	13.1
Repairs and maintenance	**0.75**	1.7	0.77	1.7	–0.02	–2.6
Transportation costs and port expenses	**4.55**	10.6	5.14	11.4	–0.59	–11.5
Sales taxes and surcharges	**0.96**	2.2	0.79	1.8	0.17	21.5
Other costs	**3.98**	9.3	2.60	5.7	1.38	53.1
Total cost of sales for coal chemical operations	**42.99**	100	45.24	100.0	–2.25	–5.0

The Group's unit cost of sales of the major chemical products of the Group for the six months ended 30 June 2016 and the year-on-year changes are set out as follows:

	Cost of sales *(RMB100 million)*			**Unit cost of sales** *(RMB/tonne)*		
Item	**For the six months ended 30 June 2016**	For the six months ended 30 June 2015	Increase/ decrease in amount	**For the six months ended 30 June 2016**	For the six months ended 30 June 2015	Increase/ decrease in amount
Olefin	**15.30**	14.64	0.66	**4,235.82**	4,409.46	–173.64
Methanol	**3.11**	5.15	–2.04	**1,122.89**	1,323.01	–200.12
Urea	**10.45**	9.82	0.63	**907.03**	1,154.32	–247.29
Coke	**7.17**	9.03	–1.86	**685.38**	828.45	–143.07

For the six months ended 30 June 2016, the Group's cost of sales of olefin was RMB1.530 billion, representing a year-on-year increase of RMB66 million. Cost of sales of urea was RMB1.045 billion, representing a year-on-year increase of RMB63 million, mainly due to a year-on-year increase in sales volume of olefin and urea. Cost of sales of methanol was RMB311 million, representing a year-on-year decrease of RMB204 million, mainly due to the offsetting of cost of sales of RMB117 million by internal sales. Cost of sales of coke was RMB717 million, representing a year-on-year decrease of RMB186 million.

For the six months ended 30 June 2016, the Group strictly controlled the unit consumption and both purchasing price of raw materials and unit cost of sales of chemical products of the Group decreased year-on-year, of which unit cost of sales of olefin decreased year-on-year by RMB173.64/tonne; unit cost of sales of urea decreased year-on-year by RMB247.29/tonne; unit cost of sales of methanol decreased year-on-year by RMB200.12/tonne, unit cost of sales of coke decreased year-on-year by RMB143.07/tonne.

- Gross profit and gross profit margin

For the six months ended 30 June 2016, the gross profit of the Group's coal chemical operations decreased by RMB309 million from RMB1.609 billion for the six months ended 30 June 2015 to RMB1.300 billion, and the gross profit margin decreased from 26.2% for the six months ended 30 June 2015 to 23.2%, representing a decrease of 3.0 percentage points. This was mainly due to different degrees of decrease in sales prices of major chemical products of the Group. However, the decrease in gross profit margin was under effective control as the Company strengthened the cost control.

3. Coal mining equipment segment

- Revenue

For the six months ended 30 June 2016, the Group's revenue from the coal mining equipment operations decreased from RMB2.676 billion for the six months ended 30 June 2015 to RMB1.931 billion, representing a decrease of 27.8%, of which the revenue net of inter-segmental sales decreased from RMB2.495 billion for the six months ended 30 June 2015 to RMB1.777 billion, representing a decrease of 28.8%. This was mainly due to the year-on-year decrease in sales volume of major coal mining equipment affected by the market condition.

• Cost of sales

For the six months ended 30 June 2016, the Company's cost of sales for the coal mining equipment operations decreased from RMB2.223 billion for the six months ended 30 June 2015 to RMB1.577 billion, representing a decrease of 29.1%. The major cost items and the year-on-year changes are set out as follows:

Unit: RMB100 million

Item	**For the six months ended 30 June 2016**	**Percentage** (%)	For the six months ended 30 June 2015	Percentage (%)	**Increase/decrease** Increase/ decrease in amount	Increase/ decrease (%)
Materials used and goods traded costs	**9.23**	58.5	16.36	73.6	–7.13	–43.6
Staff costs	**2.62**	16.6	2.69	12.1	–0.07	–2.6
Depreciation and amortisation	**1.52**	9.6	1.45	6.5	0.07	4.8
Repairs and maintenance	**0.24**	1.5	0.17	0.8	0.07	41.2
Transportation costs	**0.29**	1.8	0.35	1.6	–0.06	–17.1
Sales taxes and surcharges	**0.12**	0.8	0.13	0.6	–0.01	–7.7
Other costs	**1.75**	11.2	1.08	4.8	0.67	62.0
Total cost of sales for coal mining equipment operations	**15.77**	100.0	22.23	100.0	–6.46	–29.1

• Gross profit and gross profit margin

For the six months ended 30 June 2016, the gross profit of the Group's coal mining equipment operations segment decreased from RMB453 million for the six months ended 30 June 2015 to RMB354 million, representing a decrease of 21.9%; and the gross profit margin increased from 16.9% for the six months ended 30 June 2015 to 18.3%, representing an increase of 1.4 percentage point.

4. Financial and other operating segments

The Group's financial and other operating segments mainly include Finance Company, thermal power generation and other operations. For the six months ended 30 June 2016, the Group's total revenue from financial operation and other operations decreased from RMB1.574 billion for the six months ended 30 June 2015 to RMB1.343 billion, representing a decrease of 14.7%, of which the revenue net of inter-segmental sales decreased from RMB1.162 billion for the six months ended 30 June 2015 to RMB993 million, representing a decrease of 14.5%. Cost of sales decreased from RMB1.429 billion for the six months ended 30 June 2015 to RMB1.193 billion, representing a decrease of 16.5%. Gross profit increased by 3.4% from RMB145 million for the six months ended 30 June 2015 to RMB150 million, and gross profit margin increased from 9.2% for the six months ended 30 June 2015 to 11.2%, representing an increase of 2.0 percentage points.

(3) Selling, general and administrative expenses

For the six months ended 30 June 2016, the Group's selling, general and administrative expenses decreased from RMB2.096 billion for the six months ended 30 June 2015 to RMB1.950 billion, representing a decrease of 7.0%.

(4) Other net gains

For the six months ended 30 June 2016, the other net gains of the Group increased from RMB87 million for the six months ended 30 June 2015 to RMB994 million, representing an increase of RMB907 million. This was mainly attributable to the active disposal of assets less relevant to principal business by the Group, leading to the other recognised gains of RMB929 million.

(5) Profit from operations

For the six months ended 30 June 2016, the Group's profit from operations increased from RMB597 million for the six months ended 30 June 2015 to RMB2.047 billion, representing an increase of RMB1.450 billion. Profits from operations for major operating segments and the year-on-year changes are as follows:

Unit: RMB100 million

	For the six months ended 30 June 2016	For the six months ended 30 June 2015	**Increase/decrease**	
Item			Increase/ decrease in amount	Increase/ decrease *(%)*
The Group	**20.47**	5.97	14.50	242.9
Of which: Coal operations	**0.94**	–7.20	8.14	–113.1
Coal chemical operations	**15.42**	14.07	1.35	9.6
Coal mining equipment operations	**2.19**	0.85	1.34	157.6
Finance operations and other operations	**3.27**	–0.36	3.63	–1,008.3

Note: The above profits from operations for each segment are figures before netting of inter-segmental sales.

(6) Finance income and finance costs

For the six months ended 30 June 2016, the Group's net finance costs increased from RMB1.955 billion for the six months ended 30 June 2015 to RMB2.038 billion, representing an increase of RMB83 million, among which interest expenses was RMB2.423 billion, representing a year-on-year increase of RMB33 million. Interest income was RMB404 million, representing a year-on-year decrease of RMB26 million. Foreign exchange net losses reached RMB14 million, as compared with a foreign exchange net gains of RMB11 million in the same period of 2015, which resulted in a year-on-year increase of finance costs by RMB25 million.

(7) Share of profits of associates and joint ventures

For the six months ended 30 June 2016, the Group's share of profits of associates and joint ventures increased from RMB188 million for the six months ended 30 June 2015 to RMB281 million, representing an increase of 49.5%. This was mainly attributable to a year-on-year increase of RMB93 million in the Group's share of profits of associates and joint ventures recognised in proportion to its shareholding resulting from the increase in profits by using the equity method of accounting for investees of the Group, including coal chemical, power plants and terminals during the reporting period.

(8) Profit before income tax

For the six months ended 30 June 2016, the profit of the Group before income tax increased from RMB-1.170 billion to RMB291 million, representing an increase of RMB1.461 billion.

(9) Income tax credit

For the six months ended 30 June 2016, the Group's income tax credit decreased from RMB324 million for the six months ended 30 June 2015 to RMB250 million, representing a decrease of RMB74 million.

(10) Profit attributable to equity holders of the Company

For the six months ended 30 June 2016, profit attributable to equity holders of the Company increased from RMB-1.072 billion for the six months ended 30 June 2015 to RMB225 million, representing an increase of RMB1.297 billion.

III. CASH FLOW

As at 30 June 2016, the balance of the Group's cash and cash equivalents amounted to RMB14.358 billion, representing a net increase of RMB3.162 billion as compared to that as at 31 December 2015.

Net cash generated from operating activities increased by RMB2.618 billion from RMB362 million for the six months ended 30 June 2015 to RMB2.980 billion, which was mainly attributable to the reason that the Group significantly improved the operational results and enhanced collection of trade receivables, reduced working capital used, which led to the dramatic year-on-year increase of net cash generated from operating activities.

Net cash generated from investing activities increased by RMB17.489 billion from RMB-13.228 billion for the six months ended 30 June 2015 to RMB4.261 billion, which was mainly attributable to the reason that the movement of balance of fixed term deposits with initial terms exceeding three months of the Group led to a year-on-year increase of RMB12.127 billion in cash inflow (net inflow for the reporting period amounted to RMB5.944 billion, while net outflow for the same period of 2015 amounted to RMB6.183 billion), as well as the year-on-year decrease of RMB1.732 billion in cash paid for capex such as project construction, long-term assets purchase and equity investment, etc.. In addition, the receipt of equity and asset transfer proceeds and due loan recovery led to a year-on-year increase in cash inflow.

Net cash generated from financing activities decreased by RMB22.387 billion from RMB18.305 billion for the six months ended 30 June 2015 to RMB-4.082 billion. This was mainly attributable to the reason that the Group exercised strict control on the scale of liability for the reporting period, which led to a year-on-year decrease of RMB11.675 billion in cash received from borrowings. During the reporting period, the Group did not issue bonds, which led to a year-on-year decrease of RMB9.976 billion in cash received from issuance of bonds.

IV. SOURCES OF CAPITAL

For the six months ended 30 June 2016, the Group's funds were mainly derived from the net proceeds generated from business operation and debt financing. The Group's funds were mainly used for investments in production facilities and equipment for coal, coal chemical and coal mining equipment operations, repayment of debts payable by the Group, and the Group's working capital and general recurring expenditures.

The cash generated from the Group's operation, net proceeds raised from capital markets and relevant banking facilities obtained will provide sufficient capital funds for future production and operating activities as well as project construction.

V. ASSETS AND LIABILITIES

(1) Property, plant and equipment

As at 30 June 2016, the net value of property, plant and equipment of the Group amounted to RMB128.861 billion, representing a net increase of RMB56 million or 0.04% as compared to RMB128.805 billion as at 31 December 2015.

(2) Mining and exploration rights

As at 30 June 2016, the net value of the Group's mining and exploration rights amounted to RMB33.701 billion, representing an increase of RMB857 million or 2.6% as compared to RMB32.844 billion as at 31 December 2015, mainly due to obtaining exploration rights permit for Shaanxi Company Dahaize Coal Mine for the reporting period. The prepayments for mining rights of RMB1.000 billion were adjusted for calculation to mining and exploration rights from non-current assets.

(3) Investments in associates

As at 30 June 2016, the net value of the Group's investments in associates amounted to RMB11.918 billion, representing an increase of RMB696 million or 6.2% as compared to RMB11.222 billion as at 31 December 2015. This was mainly attributable to the capital increase of RMB613 million in Zhongtian Synergetic Company in proportion to the Group's shareholdings for the reporting period.

(4) Trade and notes receivables

As at 30 June 2016, the net amount of the Group's trade and notes receivables was RMB13.054 billion, representing a decrease of RMB215 million or 1.6% as compared to RMB13.269 billion as at 31 December 2015. This was mainly due to the fact that Group captured the favourable opportunities of the stabilised coal market, and expedited the collection of trade receivables.

(5) Prepayments and other receivables

As at 30 June 2016, the net value of the Group's prepayments and other receivables amounted to RMB8.111 billion, representing a net decrease of RMB1.616 billion or 16.6% as compared to RMB9.727 billion as at 31 December 2015. This was mainly due to the fact that the Group recovered entrusted loans of RMB1.650 billion, the equity and asset transfer proceeds for the reporting period.

(6) Borrowings

As at 30 June 2016, the balance of borrowings of the Group amounted to RMB68.088 billion, representing a net decrease of RMB2.069 billion or 2.9% as compared to RMB70.157 billion as at 31 December 2015. This was mainly attributable to the fact that subordinate enterprises of the Group repaid the expired bank borrowings, of which the balance of long-term borrowings (including the portion due within one year) was RMB63.177 billion, representing a net decrease of RMB1.322 billion as compared to RMB64.499 billion as at 31 December 2015; and the balance of short-term borrowings was RMB4.911 billion, representing a net decrease of RMB747 million as compared to RMB5.658 billion as at 31 December 2015.

(7) Long-term bonds

As at 30 June 2016, the balance of long-term bonds of the Group (including the portion due within one year) amounted to RMB40.900 billion, representing a net increase of RMB31 million as compared to RMB40.869 billion as at 31 December 2015, mainly due to amortisation of medium-term notes based on the real interest method.

VI. SIGNIFICANT CHARGE OF ASSETS

The Group did not have significant charge of assets during the reporting period.

VII. SIGNIFICANT INVESTMENT

Save as disclosed in this announcement, the Group did not hold any significant investment or have any future plan for material investment or capital asset during the reporting period.

VIII. MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this announcement, the Group did not have material acquisitions and disposals of subsidiaries, associates and joint ventures during the reporting period.

IX. RISKS OF EXCHANGE RATE

The business operations of the Group are subject to the impact of fluctuations in the exchange rate of RMB. The export sales of the Group are primarily settled in US Dollars and the Group has liabilities denominated in foreign currencies. Meanwhile, the Group needs foreign currencies, mainly US Dollars, to pay for imported equipment and accessories. As such, the fluctuations in foreign exchange rates against RMB will have bilateral compound effects on the operating results of the Group.

X. RISKS OF COMMODITY VALUE

The Group is also exposed to risks of commodity value arising from the changes in product prices and material costs of the Group.

XI. INDUSTRY RISKS

Like other coal companies and coal chemical companies in China, the Group's operational activities are subject to regulation by the Chinese government in terms of industry policies, project approvals, granting of permits, industry specific taxes and surcharges, environmental protection and safety standards, etc.. As a result, the Group may be subject to restrictions in business expansion or profitability enhancement. Certain future policies of the Chinese government regarding the coal and coal chemical related industries may have an impact on the operational activities of the Group.

XII. CONTINGENT LIABILITIES

(1) Bank guarantees

As at 30 June 2016, the Group provided guarantees for a total amount of RMB22.835 billion, of which guarantees of RMB14.686 billion were provided to the equity investment entities in proportion to the Group's shareholdings. The details are set out below:

Unit: RMB10 thousand

The Company's external guarantees (excluding guarantees for controlling subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Date of execution of guarantee (the date of signing agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of the guarantee	Completed or not	Overdue or not	Overdue amount	Counter guarantee available or not	Provided to the related party or not	Related party relationship
China Coal Energy Company Limited	Company headquarters	Shanxi Pingshuo Gangue-fired Power Generation Company Limited	4,350	19 December 2008	19 December 2008	18 December 2020	Joint and several liability guarantee	No	No	–	Yes	No	–
China Coal Energy Company Limited	Company headquarters	Shanxi Pingshuo Gangue-fired Power Generation Company Limited	3,180	24 December 2008	24 December 2008	23 December 2020	Joint and several liability guarantee	No	No	–	Yes	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	5,925	28 March 2008	28 March 2008	20 December 2022	Joint and several liability guarantee	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	28,075.5	28 March 2008	28 March 2008	20 December 2023	Joint and several liability guarantee	No	No	No	No	–	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	9,981.1	28 March 2008	28 March 2008	20 December 2023	Joint and several liability guarantee	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	5,750	21 November 2012	21 November 2012	20 November 2027	Joint and several liability guarantee	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Taiyuan Coal Gasification Longquan Energy Development Company Limited	44,500	29 October 2012	29 October 2012	31 January 2021	Joint and several liability guarantee	No	No	–	No	No	–
China Coal Energy Company Limited	Company headquarters	Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	405,927.16	28 April 2013	28 April 2013	28 April 2025	Joint and several liability guarantee	No	No	–	Yes	No	–
China Coal Energy Company Limited	Company headquarters	Zhong Tian He Chuang Energy Company Limited	937,506.38	25 May 2016	25 May 2016	as per agreement	Joint and several liability guarantee	No	No	–	No	No	–
Shanghai Datun Energy Resources Company Limited	Subsidiary	Fengpei Railway Company Limited	869.2	21 November 2013	21 November 2013	20 April 2024	Joint and several liability guarantee	No	No	–	Yes	No	–
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Subsidiary	Yan'an Hecaogou Coal Company Limited	12,500	25 November 2015	29 November 2015	1 September 2025	Joint and several liability guarantee	No	No	–	Yes	No	–
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Subsidiary	Yan'an Hecaogou Coal Company Limited	5,000	28 December 2015	30 December 2015	30 December 2018	Joint and several liability guarantee	No	No	–	Yes	No	–
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Subsidiary	Yan'an Hecaogou Coal Company Limited	2,500	21 January 2016	27 January 2016	26 January 2019	Joint and several liability guarantee	No	No	–	Yes	No	–
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Subsidiary	Yan'an Hecaogou Coal Company Limited	2,499	21 January 2016	27 January 2016	27 July 2018	Joint and several liability guarantee	No	No	–	Yes	No	–
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)													884,108.44
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)													1,468,563.34
Guarantee provided by the Company to its subsidiaries													
Total guarantee to subsidiaries incurred during the reporting period													–41,886.22
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)													814,959.08
Total guarantee of the Company (including those to subsidiaries)													
Total guarantee (A+B)													2,283,522.42
Percentage of total guarantee to net assets of the Company (%)													27.2
Of which:													
Amount of guarantee provided to shareholders, de facto controllers and their related parties (C)													–
Balance of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)													522,657.76
Excess amount of total guarantee over 50% of net assets (E)													–
Total amount of the above three categories (C+D+E)													522,657.76

(2) Environmental protection responsibilities

The management of the Group is of the opinion that other than those that have been accounted for in the financial statements, there are currently no other environmental protection responsibilities that may have a material adverse impact on the financial position of the Group.

(3) Contingent legal liabilities

For the six months ended 30 June 2016, the Group was not involved in any material litigation or arbitration, and to the knowledge of the Group, there was no material litigation or arbitration pending or threatened against or involving the Group.

XIII. ANALYSIS OF PRINCIPAL SUBSIDIARIES AND EQUITY INVESTMENT COMPANIES

(1) Operation and result of principal subsidiaries

Unit: RMB100 million

Company name	Nature of business	Principal products or services	Registered Capital	Total assets	Net assets attributable to the equity holders of the Company	Revenue	Net profit attributable to the equity holders of the Company
China Coal Pingshuo Group Company Limited	Coal production	Coal	208.46	634.60	255.88	62.12	–11.07
Shanghai Datun Energy Resources Company Limited	Coal production	Coal, electric power production, etc.	7.23	142.92	82.95	23.63	3.17
Shanxi China Coal Huajin Energy Company Limited	Coal production	Coal, electric power production, etc.	53.53	139.89	59.77	17.90	2.01
China Coal Shaanxi Yulin Energy & Chemical Company Limited	Chemical products production	Olefin	93.69	255.95	100.99	25.53	6.12

(2) Operation and result of principal equity investment companies

Unit: RMB100 million

Company name	Nature of business	Share-holding (%)	Registered capital	Total assets	Revenue	Net profit attributable to the equity holders of the Company
Hebei Sinocoal Risun Coking Company	Coke production	45.0	1.00	41.86	21.51	0.66
Zhejiang Zheneng China Coal Zhoushan Coal & Electricity Company Limited	Coal wholesale operation, electric power production, etc.	27.0	25.00	101.65	14.82	2.09
Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	Coal chemical products production	30.0	70.00	262.59	47.17	5.26

BUSINESS PERFORMANCE

I. COAL OPERATIONS

In the first half of 2016, the macroeconomy still suffered from heavy downward pressure, and coal demand was continually sluggish. With the effects of promotion of the supply-side structural reform and the accelerated implementation of dissolving overcapacity of coal by the Chinese government, the problem of imbalance between supply and demand in the coal market was relieved to some extent, and hence the coal price in the second quarter moderately rebounded. The Company strived to overcome various unfavourable factors, carefully and flexibly organised production, made full use of effective production capacity, and adopted production limitation or stoppage measures for some mines with weaker market competitiveness. The Company accelerated the progress of land requisition and village relocation, carefully arranged production continuity, inspection and maintenance of equipment, optimised labour scheduling, raised unit output and unit roadheading level, and realised superior and efficient production. The Company strengthened quality control of coal, achieved coal quality-based separate mining, shipping and utilisation at mining site, optimised coal preparation techniques, developed marketable products to meet the diverse needs of customers, and strived to improve quality and efficiency. During the reporting period, the production volume of commercial coal reached 40.38 million tonnes (thermal coal production volume was 35.26 million tonnes and coking coal 5.12 million tonnes), representing a year-on-year decrease of 5.89 million tonnes or 12.7%, of which Pingshuo Company recorded a commercial coal production volume of 25.78 million tonnes, representing a year-on-year decrease of 19.1%.

Through enhancing robust marketing analysis and study, the Company closely followed the market trend, and timely adjusted the coal marketing strategies. Through improving meticulous management of marketing, the Company met the demand of customers precisely. While consolidating the traditional market, the Company spared no efforts to expand the sales channel and optimised the customer portfolio and the market layout. The Company actively pursued the non-thermal coal market, and expanded the presence in cement and other sectors. The Company actively developed the coking coal market, thus the sales volume of coking coal recorded a significant increase. To maximise profit and satisfy customised demand, the Company vigorously promoted coal blending, developed coal blending techniques to tackle breakthroughs, and enhanced the product quality so as to ramp up the sales of self-produced coal. Fully leveraging on the favourable opportunities of the decrease in railway freight and port charges, the Company optimised railway logistics flow arrangement, and reduced the overall logistics cost. During the reporting period, coal sales of the Company generally remained stable and smooth. The effect of coal destocking was significant, and the Company recorded commercial coal sales volume of 65.47 million tonnes, representing a year-on-year increase of 2.1%. However, affected by the decrease in production volume of self-produced commercial coal, the Company recorded a year-on-year decrease of 11.9% in the sales volume of self-produced commercial coal, of which Pingshuo Company's sales volume of self-produced commercial coal amounted to 26.75 million tonnes, representing a year-on-year decrease of 19.0%.

Sales volume of commercial coal (10 thousand tonnes)			**January to June 2016**	January to June 2015	Change *(%)*
(I)	**Domestic sales of self-produced coal**		**4,063**	4,624	–12.1
	By region:	North China	**1,113**	1,499	–25.8
		East China	**2,380**	2,304	3.3
		South China	**304**	748	–59.4
		Others	**266**	73	264.4
	By coal type:	Thermal coal	**3,559**	4,238	–16.0
		Coking coal	**504**	386	30.6
(II)	**Self-produced coal export**		**25**	18	38.9
	By region:	Taiwan, China	**25**	18	38.9
	By coal type:	Thermal coal	**25**	18	38.9
(III)	**Proprietary trading**		**2,274**	1,572	44.7
	Of which:	Domestic resale	**2,148**	1,491	44.1
		Import trading	**124**	79	57.0
		Self-operated exports	**1.8**	1.8	0.0
(IV)	**Agency sales**		**185**	198	–6.6
	Of which:	Import agency	**8**	2	300.0
		Export agency	**126**	97	29.9
		Domestic agency	**51**	99	–48.5
Total			**6,547**	6,412	2.1

II. COAL CHEMICAL OPERATIONS

During the first half of 2016, the Company strengthened coal chemical production management, optimised production techniques, enhanced the quality management and control, strictly controlled unit consumption, and made reasonable arrangement for system inspection and maintenance. The coal chemical production and operation remained stable, and the production load increased steadily, achieving the status of industry cost leadership. The Company coordinated and organised the sales of coal chemical products. Pursuing the concept of "being market-oriented and focusing on optimising efficiency", the Company constantly improved marketing network, carefully built up regional market footprint, strived to control logistics cost, continued to expand the scope of product sales, and controlled the stock level of main products within reasonable limits, so as to bring a smoother coordination between production and sales. Despite the unfavourable domestic market condition of dramatic declining price of major coal chemical products, the coal chemical segment of the Company still managed to achieve reasonably good profitability, providing solid support to the Company's operating results.

During the reporting period, the accumulated production volume of polyolefin in Yulin Olefin Project of the Company reached 354 thousand tonnes, representing a year-on-year increase of 2.3%; the sales volume reached 361 thousand tonnes, representing a year-on-year increase of 8.7%. Tuke Fertiliser Project recorded accumulated production volume of granular urea of 864 thousand tonnes, representing a year-on-year increase of 9.6%; the sales volume reached 1.028 million tonnes, representing a year-on-year increase of 23.7%. Mengda Methanol Project achieved accumulated production volume of methanol of 294 thousand tonnes, representing a year-on-year increase of 5.4%; the sales volume reached 300 thousand tonnes, representing a year-on-year increase of 0.7%. In addition, Mengda Engineering Plastics Project entered into the stage of trial production at the end of April and realised stable operation. During the reporting period, Mengda Engineering Plastics Project achieved accumulated production volume of polyolefin of 120 thousand tonnes, and its product entered into the market successfully.

China Coal and Coke Holdings Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Import and Export Company, a wholly-owned subsidiary of China Coal Group, for the transfer of 91% equity interest in Lingshi Chinacoal Jiuxin Coking Co., Ltd. and 100% equity interest in Lingshi Chinacoal Chemical Co., Ltd. to Import and Export Company. Since June 2016, the coke and urea production and sales data of the abovementioned transferred companies were no longer incorporated in the scope of statistics of the Company.

Production and sales volume of coal chemical products (10 thousand tonnes)		**January to June 2016**	January to June 2015	Change *(%)*
(I)	**Olefin**			
1.	Polyethylene: Production volume	**18.2**	17.8	2.2
	Sales volume	**18.2**	17.3	5.2
2.	Polypropylene: Production volume	**17.2**	16.8	2.4
	Sales volume	**17.9**	15.9	12.6
(II)	**Urea**			
1.	Production volume	**98.3**	88.9	10.6
2.	Sales volume	**115.2**	85.0	35.5
(III)	**Methanol**			
1.	Production volume	**37.7**	35.6	5.9
2.	Sales volume	**27.7**	39.0	–29.0
(IV)	**Coke**			
1.	Production volume	**83.0**	96.2	–13.7
2.	Sales volume	**104.6**	109.0	–4.0
	Of which: Sales volume of self-produced coke	**83.1**	96.6	–14.0

Notes: 1. The production and sales volume of olefin does not include the production and sales volume of Mengda Engineering Plastics Project for the trial production.

2. The methanol sales volume of the Company includes sales of all proprietary methanol products produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group, and has offset the internal self consumption of 116,000 tonnes.

III. COAL MINING EQUIPMENT OPERATIONS

Against the unfavourable backdrop of slack demand, shrinking orders and escalating rampant competitions, the Company strengthened the production scheduling and operation management, accelerated the adjustment of product mix and technology upgrade, enhanced the product quality and service quality, strived to explore the market, and actively seised orders so as to proactively respond to the operating pressure. During the reporting period, the Company recorded production value of coal mining equipment of RMB1.79 billion, representing a year-on-year decrease of 20.4%; the total production volume of coal mining equipment reached 111 thousand tonnes, basically remaining stable as compared to the same period of 2015, of which 3,388 units (sets) were major coal mining equipment.

Coal mining equipment	**Production value** *(RMB100 million)*			**Sales revenue** *(RMB100 million)*	
	January to June 2016	January to June 2015	Change *(%)*	**January to June 2016**	Percentage of operating revenue of the coal mining equipment segment *(%)*
Conveyor equipment	**7.9**	10.3	–23.3	**2.9**	15.0
Support equipment	**5.3**	5.6	–5.4	**3.6**	18.7
Road header	**2.2**	1.9	15.8	**0.4**	2.1
Shearer	**1.4**	2.6	–46.2	**0.9**	4.7
Electric mining motor	**1.1**	2.1	–47.6	**0.8**	4.1
Total	**17.9**	22.5	–20.4	**19.3**	–

Notes: 1. The revenue of the products in the table represents the sales revenue of the coal mining equipment segment before elimination.

2. The total sales revenue of RMB1.923 billion included revenues generated from accessories, services and trading.

IV. PROGRESS OF OPERATING PLANS

During the first half of 2016, witnessing the challenging market environment, the Company focused on the annual production and operation targets, methodically organised production, strengthened the coordination between production and sales, optimised product mix, and enhanced the product quality. The production and operation conditions of the Company grew in stability. During the reporting period, the Company achieved the profit attributable to equity holders of the Company of RMB225 million, realised a turnaround from the loss to profit. The Company recorded commercial coal production volume of 40.38 million tonnes, self-produced commercial coal sales volume of 40.88 million tonnes, realised operating revenue of RMB26.301 billion and hence the first half year plan was successfully completed. The Company firmly pushed forward cost reduction and efficiency improvement, enhanced cost and expense control, stringently controlled non-production expenses, and the unit cost of sales of self-produced commercial coal decreased year-on-year by 15.7%.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company always attaches great importance to corporate governance and the enhancement of its transparency, complies with the requirements on corporate governance prescribed by domestic and overseas regulatory institutions and makes constant efforts to improve the internal control of the Company, so as to facilitate more standardised and efficient operation of the Company and ensure maximum returns for the Shareholders through excellent corporate governance.

During the reporting period, the Company had complied with the principles and code provisions under the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Hong Kong Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Hong Kong Listing Rules. After the Company made specific enquiries, all Directors and supervisors of the Company confirmed that they had fully complied with the Model Code for Securities Transactions by Directors of Listed Issuers during the reporting period.

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee under the Board has reviewed the interim results of the Company. In addition, PricewaterhouseCoopers, the external auditor of the Company, performed a review on the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2016 in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. On the basis of their review, which did not constitute an audit, PricewaterhouseCoopers confirmed in writing that nothing came to their attention which would cause them to believe that the interim financial information was not, in any material aspect, properly prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

DISCLOSURE OF MAJOR EVENTS

I. DISTRIBUTION OF FINAL DIVIDENDS FOR 2015

The Company's plan of profit distribution for the year of 2015 was considered and approved at the Company's 2015 annual general meeting held on 21 June 2016. The Company did not distribute any profit of 2015.

II. INTERIM PROFIT DISTRIBUTION PLAN FOR 2016

The Company will not distribute any interim profit for 2016.

III. ASSETS TRANSACTIONS

During the reporting period, the Company had no significant assets transactions.

IV. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2016, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term "securities" has the meaning ascribed to it under the Hong Kong Listing Rules) of the Company.

V. OTHER SIGNIFICANT EVENTS

(I) Matters in relation to the renunciation of the right of first refusal

On 22 March 2016, the first meeting of the third session of the Board in 2016 considered and approved the "Proposal in respect of Renunciation of the Right of First Refusal of 49% Equity Interest in Shanxi China Coal Huajin Energy Company Limited".

For details, please refer to the announcements of the Company published on the SSE Website, the HKSE Website and the Company Website on 22 March 2016.

(II) Matters in relation to the adjustments to the annual caps for the continuing connected transactions

On 22 March 2016, the first meeting of the third session of the Board in 2016 considered and approved the "Proposal in respect of the Adjustments to the Annual Caps for the Connected Transactions of the Company Contemplated under the Coal and Coal Related Products and Services Supply Agreement for 2016-2017"; considered and approved the "Proposal in respect of the Adjustments to the Annual Caps for the Connected Transactions Contemplated under the Financial Services Framework Agreement for 2016-2017", which was approved at the 2015 annual general meeting held on 21 June 2016.

For details, please refer to the announcements of the Company published on the websites of SSE, HKSE and the Company on 22 March 2016 and 21 June 2016.

(III) Matters in relation to the equity selling and connected transaction of subsidiaries

On 27 April 2016, the second meeting of the third session of the board of directors of the Company in 2016 considered and approved the "Proposal in respect of the transfer of 100% equity interest in Xuzhou Sifang Aluminum Energy Co., Ltd. from Shanghai Datun Energy Resources Company Limited to Datun Coal and Electricity (Group) Company Limited", "Proposal in respect of the transfer of 100% equity interest in Chinacoal Handan Coal Mining Equipment Co., Ltd. from China National Coal Mining Equipment Company Limited to Beijing Chinacoal Equipment Co., Ltd.", "Proposal in respect of the transfer of 91% equity interest in Lingshi Chinacoal Jiuxin Coking Co., Ltd. from China Coal and Coke Holdings Limited to China Coal Import and Export Company" and "Proposal in respect of the transfer of 100% equity interest in Lingshi Chinacoal Chemical Co., Ltd. from China Coal and Coke Holdings Limited to China Coal Import and Export Company". Gains of RMB929 million were generated from such equity transfer.

For details, please refer to the announcements of the Company published on the websites of SSE, HKSE and the Company on 27 April 2016.

VI. SUBSEQUENT EVENT

(I) Registration and issuance of the short term financing bonds

The Company registered short term financing bonds of RMB10.0 billion in July 2016 and issued the 2016 first tranche of short term financing bonds in the amount of RMB3.0 billion on 3 August 2016, with a term of 365 days and an interest rate for the issue of 3.1%.

(II) Payment of medium term notes due

On 18 August 2016, the Company paid 2011 first tranche of medium term notes in the amount of RMB15.0 billion on time.

FORWARD-LOOKING STATEMENT

The Company would like to caution readers about the forward-looking nature of certain of the above statements. These forward-looking statements are subject to various risks, uncertainties and assumptions, which are beyond the Company's control. Potential risks and uncertainties include those concerning the market conditions of coal, coal mining equipment and coal chemical industry in China, the changes of the regulatory environment and the Company's ability to successfully execute its business strategies. In addition, these forward-looking statements only reflect the Company's current views with respect to future events but are not a guarantee of future performance. The Company does not intend to update these forward-looking statements. Actual results of the Company may differ from the information contained in the forward-looking statements as a result of a number of factors.

DEFINITIONS

In this results announcement, unless the context otherwise requires, the following expressions have the following meanings:

the Group/the Company/ Company/China Coal Energy	China Coal Energy Company Limited, unless otherwise indicated, also includes all of its subsidiaries
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
Directors	the directors of the Company, including all the executive directors, non-executive directors and independent non-executive directors
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
CSRC	China Securities Regulatory Commission

Share(s)	the ordinary shares of the Company, including A Share(s) and H Share(s)
Shareholder(s)	the shareholder(s) of the Company, including holder(s) of A Shares and holder(s) of H Shares
A Share(s)	the ordinary share(s) issued to domestic investors in China with approval from CSRC, which are listed on the SSE and traded in RMB
H Share(s)	the overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company, which are listed on the HKSE for subscription in Hong Kong dollars
SSE	the Shanghai Stock Exchange
SSE Website	www.sse.com.cn
HKSE	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
HKSE Website	www.hkexnews.hk
Company Website	www.chinacoalenergy.com
Pingshuo Company	China Coal Pingshuo Group Company Limited
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited, a controlling subsidiary of the Company
China Coal Huajin Company	Shanxi China Coal Huajin Energy Company Limited
Shaanxi Company	China Coal Shaanxi Yulin Energy & Chemical Company Limited

Finance Company	China Coal Finance Co., Ltd.
Zhongtian Synergetic Company	Zhongtian Synergetic Energy Company Limited
Heilongjiang Coal Chemical Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited, a controlling subsidiary of China Coal Group
Import and Export Company	China Coal Import and Export Company
Mengda Methanol Project	the Mengda coal based methanol project in Ordos of Inner Mongolia
Yulin Olefin Project	the methanol acetic acid series deep processing and comprehensive utilisation project of China Coal Shaanxi Yulin Energy & Chemical Company Limited
Tuke Fertiliser Project	Phase I of the Tuke Fertiliser Project in Ordos of Inner Mongolia
RMB	RMB yuan

By Order of the Board
China Coal Energy Company Limited
Chairman of the Board, Executive Director
Li Yanjiang

Beijing, the PRC, 24 August 2016

As at the date of this announcement, the executive directors of the Company are Li Yanjiang and Gao Jianjun; the non-executive directors of the Company are Peng Yi, Liu Zhiyong and Xiang Xujia; and the independent non-executive directors of the Company are Zhang Ke, Zhao Pei, and Ngai Wai Fung.

The interim report of the Company for the six months ended 30 June 2016 will be despatched to the shareholders of the Company shortly and will also be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.chinacoalenergy.com).

* *For identification purpose only*